Social Questions
BULLETIN

of the Methodist Federation for Social Service (unofficial), an organization which rejects the method of the struggle for profit as the economic base for society; which seeks to replace it with social-economic planning in order to develop a society without class distinctions and privileges.

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Economic Effects of the War

It is now generally recognized that economic factors are a major cause of war. It is equally well known that a war anywhere in the world tends to affect the economy of other nations. This effect may be a stimulation or a retarding of business, or it may have both effects depending on the type of business. Just how is the present war affecting us?

A DIFFERENCE

We must recognize the essential economic difference between this war and others. Wars generally come at the end of a period of economic expansion when a nation feels strong, when credits are available and resources are stacked up. But this war comes about under the reverse conditions. The world has just gone through a prolonged period of economic maladjustment, some combatants are near bankruptcy, and others are heavily in debt and anxious to curtail expenditures. These factors definitely affect our economic relation to the present war.

Before the special session of Congress, our neutrality prevented sales to belligerents of primary war materials. Our present law permits sale of war materials to belligerents of either side on the basis of cash sale, to be carried in the buyer's boats. Germany is so effectively blockaded that she can buy practically nothing from us. While England and France can buy, their own colonies have made considerable commercial and industrial advancement since 1914, and these will get a much larger share of war business than in 1914. Thus France and England will buy only sparingly, and through an American representative who will protect their interests. There is little prospect of wholesale buying as in the World War. The present boom is piling up inventories which may not be needed immediately, thus inviting a period of slack production within a few months.

How is the war affecting various groups in our economy?

THE CONSUMER AND THE WAR

Prices have been rising. Already there is a noticeable increase in prices of many commodities essential to our daily life. Isador Lupin, Commissioner of Labor Statistics, says: "If the past is any forecast of the future, and if the present European War should unfortunately be prolonged, the United States will be faced with a marked rise in price of many important commodities and a subsequent period of painful economic readjustment." "Curtailment of normal sources of supply has caused the wholesale price of numerous drugs and medicines to more than double in the last few months." He indicates that price increases will be continued and will spread to other commodities.

Consumers Union reports that it takes $1.10 now to buy foods costing $1.00 before the war. Silk, cotton, rayon, wool and leather prices are on the way up. Not only are prices going up, but in many instances quality is going down. To date there has been no increased consumption to warrant the increase in prices, so it seems that wholesalers and retailers have taken advantage of the war situation to advance prices. In some instances prices have gone counter to raw material costs. While cotton decreased in cost, cotton cloth increased in price.

But generally speaking there has been a sanity during the first few months of this war unseen in 1914. The consumer enlightenment of the last generation is having some influence, and then business itself is apprehensive of a too rapid or too general price advance. The consumer cooperatives refuse to advance prices in the case of unjustified price rises, having a healthy effect on other retailers.

The government is better prepared to protect consumers now than in 1914, with statistical and fact finding agencies in several bureaus. Walton H. Hamilton, of Yale Law School, gives a three point program to protect consumers. (*Survey Graphic,* Jan., 1940) First: Publicity of facts. Factual analyses of markets supplied through radio, press, independent civic and consumer groups to prepare the consumer public for intelligent action. Second: Control of the flow of goods and services by development of necessary substitutes and government use of surpluses, as well as by the use of projects like TVA to establish reasonable measures of fair prices. Third: Use, if the other two methods fail, of government authority to protect the consumer from war profiteering.

Enlightened consumer action can be a potent force in preventing the menace of profiteering and the misuse of economic power. This action is most necessary for the salaried workers whose income tends to remain fixed while living costs rise.

THE FARMER AND THE WAR

Opinion seems to be general that the farmer has little to gain from the war. The major economic problem of the farmer now is the surplus. Prof. J. D. Black, Harvard economist, says that the war will make the handling of the farm problem more difficult with continued surpluses

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and with two or three million families more or less destitute.

Dr. Alonzo Taylor, directer of research for General Mills, says, "Wars have usually proved very injurious to agriculture in both neutral and belligerent countries, if not at the time certainly in the subsequent disorganization of costs and prices internally and in relation to exports."

Dr. Oscar B. Jeness, economist at University of Minnesota, says the cattle industry in the long run is harmed. "The interest of cattle producers will be served best by settlement of the present unpleasantry in Europe as quickly as possible."

There is no good reason to expect that a foreign food shortage will warrant added production in the United States. England, for instance, a good customer during the World War, has other sources of supply now. Even normally she bought twice as much canned fruit as wheat (1937). Certain of the fruit producing areas of the United States which specialized in the English market are now in serious difficulty. The dollar wheat of December is the result of a fall drought, and has little to do with a war market. Then, too, there is a large government surplus available to stabilize the market or meet any trade demand that may arise. The farmers have little to gain from a food price rise and much to lose from a price fall. Also they would suffer seriously from over expansion of credit.

Further, the effort of England and France to use their strong position at sea to take the markets developed by Germany in South America makes available to the Allies a large supply of agricultural products under favorable price and trade agreements. The financially hard pressed Allies are after bargains, and they get better bargains in materials and credits from their own colonies and countries like Brazil than from the United States. The cotton imports of the last few years show that. Though England used to get nearly all its cotton from us, we sell her less than half now. And if the pattern of the World War is followed there will be another decrease of between 40 and 50 per cent. in our cotton exports to England.

As building materials have taken an unwarranted 10 per cent. increase, the amount of building is decreasing, with a depressing effect on the lumber market upon which some farmers depend.

LABOR AND THE WAR

Organized labor is 100 per cent. against the war. Both CIO and AFL have made vigorous statements of their position. And well they might. They have much to lose not only by war, but by the restraints on labor that come during preparation for war. The state of "limited emergency" makes possible some limitations, and we see WPA strikes outlawed by presidential dictum. Federal money is withdrawn from works projects and spent on battleships. Business journals speak of "copiously" amending the NLRA. War fears give an impetus to slashes in relief, social security pensions and compensation and other hard-earned social services. Social benefits are under attack in Wisconsin, Ohio, New York, Minnesota, and Pennsylvania. With the conservative program of returning control of public works and relief to local communities, the conditions of Cleveland will become more general, and will fall most heavily upon the worker and his family. Thurman Arnold has inspired fear in, and weakened the position of, labor by his recent interpretation of the Sherman Anti-Trust Act.

While all this is happening to weaken the economic and social position of the worker, how is he sharing in the so-called war boom? In many sections of the country where business is picking up there is an increase in employment, but the rate of increased employment is below the rate of increased production. A. S. Miller points out in the *Annalist* that the employment gain "was only 3 per cent. in contrast to the 8 per cent. advance in industrial production. The number of workers put on the payroll has risen some 10 per cent. since the low point for this year reached in May, in contrast to a 30 per cent. gain in industrial production. Employment this year was 10 per cent. higher than it was last year in October; the Federal Reserve Board index of production was 25 per cent. higher."

In spite of this lag the Department of Labor announces that about 1,150,000 were added to the rolls of non-agricultural industries between September, 1938, and September, 1939. This gain is offset by the slashing of WPA expenditures which led to a cut of nearly 1,500,000 during the same period. Also 700,000 youths of working age have come on the labor market in the last 12 months, bringing the total of unemployed to approximately 13,000,000.

The wages paid have failed to rise with the increased cost of commodities. Labor has lost its sense of security in organization and is now on the defensive even to protect its civil rights. Hard won social gains are lost or threatened. Its share in increased production is small and wage increases do not equal price and rent increases. Conservative forces are using the fear and uncertainty of the time to maneuver labor into a position which will make increased profits available for investors in industry.

INVESTORS AND THE WAR

The neutrality legislation places limitations on credits for belligerents. During the World War restrictions on loans and credits were broken down. This time government agencies have already set a precedent by advancing credits to Finland. Also the State Department has ruled that banks having contracts in foreign exchange with banks in belligerent countries may continue to execute them. It is considering the question of whether the prohibition of credit applies to foreign branches of our banks.

Trade journals of the financial world show a definite interest in lengthening the war and capitalizing on a more active prosecution of it. "A more active phase of fighting is what many Wall Street traders have been looking for to break the stalemate in markets" *(Wall Street Journal)*. *The Fitch Survey* blames the lagging market on "The lack of heavy hostilities abroad and the regular appearance of the peace ghost which serves to hold down expansion." The *Outlook of the Securities Market* says "The latest peace feelers by Belgium and Holland pro-

voked some additional selling." The *Monthly Market Letter* observes "As soon as the German offensive enters an active phase on land or in the air, then our stock and commodity markets should resume the uptrend." The *Report of the Business Executive* says that the "type of war now being fought will, if continued, tend to be a business depressant, not a business stimulant."

It would seem that Wall Street and investors are most interested in sharing the war profits, whatever the effects. The judgment of the *New Republic,* however, is that "no war boom can long outlive the war that creates it . . . a war boom is in no sense a solution to our problems, particularly since most of the war profits will go to the comparatively few large stockholders of a few thousand large corporations. From a long-term standpoint, a war can bring nothing but a gaudy interlude in our depression."

THE BOOM?

But what about the war boom? In sections of the country there is a war boom. Factories are working three shifts. Many plants are working at capacity. Some hundreds of workers have been reemployed. What can this mean? There have not been war orders to justify such an increase in production. With the exception of a few specialized industries like machine tools, motors and airplanes, the boom is largely to increase inventories in expectation of war orders. For several years industries have been running on small inventories. Prospects for increased demand have stimulated production. The boom has been partly based on an expected cyclical upswing, but more considerably on war expectations. The prospects for a decline during the first quarter of 1940 are real. Some indices have already noted a decline. Except for the specific war industries and those indirectly affected, like railroads and shipbuilding, the decline will probably continue into the first quarter. Such a war boom as may develop will probably come slowly, after England has established a convoy system and extended careful purchasing policies. Even then it will be limited to a certain few industries.

It is interesting to note at this point that England and France have now set up a commission on economic cooperation to conserve resources and supply each other's needs as far as possible. This will tend to capitalize on their complementary economies and to cut imports from the United States, thus cutting profits here.

BIG BUSINESS AND THE WAR

Big business is not of one mind on the war. The effect of the war on particular industries affects the attitude. Considerable publicity has been given to the statements of industrialists who have spoken out in opposition to war and war profits. They have said that war profits are illusory, for the government keeps most of it through price control; that the aftermath of war is depression and business collapse; and that war would mean regimentation of business if not dictatorship. It is probably true for a large majority of industries that war would mean dislocation of production, uncertainty of profits and undesirable restrictions.

But there is a sizeable sector in industry that sees possible war profits. Steel exports jumped from 251 million pounds in 1913-14 to 1,113 million in 1916-17. Similarly explosives jumped from 6 million pounds to 802 million in the same period of time. These possibilities for profit are not to be overlooked. Although England and France will seek to keep their war orders to a minimum, they will need trucks, airplanes, ships, machine tools and munitions. These are being bought now and will continue to be bought. A pamphlet by an investment firm on *"War and Business"* says "earnings should be very satisfactory." In *Labor and Steel* Dr. Horace Davis says "War abroad with the home government neutral is the ideal situation for armament firms." But, he adds, "A war in which the home government participates is better than peace in piling up profits for the steel companies." There will be war profits for some whether we enter the conflict or not. Certain industries will be in a better position to compete because our taxes will remain steady while Europe's will "go through the roof." And then our extensive defense program will occupy several years with good profit. Nor is there too much fear of dictatorial power of government, for already talk is heard of putting government relations with business in the hands of those, like Baruch in 1917, who "know how."

Railroads feel quite secure after the experience of the last war. Utilities are afraid of trouble now that the government has a yardstick in the TVA. The *American Machinist* predicts we may "look for the most feverish shipbuilding campaign the world has ever seen to develop in the very near future." And even if England and France do buy in Canada, Canadian resources will be so limited that considerable steel and machinery must needs be bought in the United States. The *Fitch Survey* says "new net profits peaks appear clearly in sight for the manufacturers of aeronautical products." So certain industries have promise of substantial war profits. The war is different and the war profits will be different, but they will go to the same big investors who found the World War so profitable.

CONCLUSION

The expected war boom has not developed except in a few limited industries, and there is little possibility of its spreading farther unless we become involved in war. If we should, the restrictions of the government will limit profits and regulate wages, social gains will be lost and a long time period of economic maladjustment may be expected to follow. Workers, consumers, and a large portion of industry, do not want any part in a war, and fear the inevitable consequences of the artificial business stimulation that comes with wholesale destruction. Only a small segment of the investment world seems interested in war profits, and that small segment appears to be the only group that could have anything to gain from the war, whether we are in it or not.

EDGAR JACKSON.

Come to Cleveland

Federation Members: We need you at our National Emergency Conference. This Conference will be held in conjunction with the United Christian Council for Democracy at the Euclid Avenue Baptist Church, 1926 East 18th St., Cleveland, Ohio, January 23–25.

It is imperative that we join with the members of the Episcopal Church League for Industrial Democracy, the Presbyterian Fellowship for Social Action, the Evangelical and Reformed Council for Social Reconstruction, the Walter Rauschenbusch Fellowship of Baptists and the Unitarian Fellowship for Social Justice in expressing the voice of the Christian religion in relation to the war and its effect upon the life and future of the American people.

Tuesday, January 23

11 A.M. Portrayal of the religious, relief and labor conditions in Cleveland.

12 Noon. Dr. Clifford Stanley, Rector at Cape Girard, Mo., speaks on "The Religious Bases of Our Social Action."

1–2:30 P.M. Buffet luncheon (Price 50c). Mr. William F. Cochran, President of the UCCD, will preside. Rev. Wm. B. Spofford of the CLID, Rev. Charles C. Webber of the MFSS, and the Secretaries of the other units of the UCCD will give addresses on the work of their organizations.

2:30 P.M. Bishop Francis J. McConnell will open the first session of our Federation Conference with an address on "Maintaining the Freedom of the Pulpit." He will be followed by the Secretaries and by three of our outstanding members who will speak and lead a discussion on "What the Federation and Federation Members Can Do in a Time Like This."

8:30 P.M. Mass Meeting. Presided over by Bishop Beverly D. Tucker of Cleveland. The A Cappella Choir of Oberlin College will sing. Bishop McConnell and one other nationally known speaker will give addresses on "The Christian Religion and the War."

Wednesday, January 24

Morning and Afternoon. Meetings of Commission I on "The Christian Religion and War and Peace," and of Commission II on "The Christian Religion and Democratic Rights."

Questions for Discussion: How can we keep the United States out of war? What forces are trying to involve the United States in the Second World War? How can the United States exert its influence towards securing a conference of all interested nations to arrange a democratic peace? How can we maintain the religious and civil liberties of minority groups in the United States? How can the National Labor Relations Act be protected from emasculating amendments?

Speakers and Discussion Leaders: E. M. Poteat, pastor Euclid Ave. Baptist Church; Cameron Hall, Director Department of Social Education and Action of the Presbyterian Church; Donald Lothrop, pastor Community Church of Boston; James Myers, Industrial Secretary Federal Council of Churches; Jerome Davis of the Religion and Labor Foundation; Dale DeWitt, President of the Unitarian Fellowship for Social Justice; Professor Elmer Arndt, Eden Theological Seminary; Joseph Fletcher, Director of the Graduate School of Applied Religion, Cincinnati; Harold Fey, Secretary Fellowship of Reconciliation; Howard Kester, of the Fellowship of Southern Churchmen; Professor Paul Lehman, Elmhurst College; Kenneth Leslie, Editor Protestant Digest; Wm. B. Spofford and Charles C. Webber.

6:30 P.M. UCCD Dinner. Presided over by John Paul Jones, pastor Union Church, Brooklyn. Harry F. Ward and Reinhold Niebuhr will give addresses on the theme of the Conference.

Thursday, January 25

9:30 A.M. Findings Committee of Commission I and Findings Committee of Commission II will report their recommendations for discussion by all of the delegates.

2–5 P.M. Closing session of the Federation Conference. We will formulate our program for 1940 in light of the conclusions reached in the United Christian Council for Democracy discussions.

Conference Information

There is no registration fee. Lodging and breakfasts will be furnished without charge in the homes of our Cleveland members. Hotel rooms may be secured at $1 per day and up. Fill out the form in the lower left corner and mail it immediately.

PLEASE TEAR OFF AND SEND IN AT ONCE

METHODIST FEDERATION FOR SOCIAL SERVICE
150 Fifth Avenue
New York City

I expect to attend the Cleveland Conference, January 23–25.

*Name*_____

*Street*_____

*City*_____

☐ Room in private home.

☐ Hotel room. Rate:

Protestant Digest

The January, 1940, issue has six articles on the United Christian Council for Democracy. It can be secured for 25c from Protestant Digest, Inc., 521 Fifth Ave., New York.

Notice

The American League for Peace and Democracy has discontinued having affiliated national organizations. The Federation, therefore, is no longer affiliated with it.

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Special rate to student groups.

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